

Message Text

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ACTION EUR-10

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C O N F I D E N T I A L BONN 17302

LIMDIS

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: POEHL ON GERMAN ECONOMIC POLICY

1. I MET TODAY WITH FINANCE MINISTRY STATE SECRETARY POEHL FOR ONE OF OUR PERIODIC TOUR D'HORIZONS. POEHL SAID THAT THE FINANCE MINISTRY WAS VERY WORRIED ABOUT THE POSSIBLE REPERCUSSIONS ON THE ECONOMY NEXT YEAR OF THE OIL SHORTAGES. WHILE SOMEWHAT MORE EXPANSIONARY GENERAL POLICIES COULD NOT COUNTERACT THE DIRECT EFFECTS OF A SHORTAGE OF OIL AS AN INDUSTRIAL RAW MATERIAL, THEY COULD HELP TO OFFSET SECONDARY EFFECTS ON OTHER INDUSTRIES. IN ADDITION, ACCORDING TO POEHL, THE HIGH INTEREST RATES IN THE CURRENT SITUATION ACTED MORE AS A COST-PUSH FACTOR THAN AS AN EFFECTIVE BREAK ON DEMAND. HE THEREFORE FELT THAT INTEREST RATES SHOULD AND WOULD COME DOWN SOON BY A PERCENTAGE POINT OR SO. ACCORDING TO POEHL, A MUCH LARGER REDUCTION WAS PROBLEMATIC BECAUSE IT WOULD BRING INTEREST RATES CLOSE TO THE RATE OF INFLATION THUS IN EFFECT MAKING BORROWING COSTLESS.

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POEHL ALSO PREDICTED THAT FISCAL POLICY WOULD LOOSEN

UP SOMEWHAT AND THAT THE INVESTMENT TAX WOULD BE
ABOLISHED EARLY NEXT YEAR FOR ALL GOODS.

3. POEHL SAID THAT THERE WERE NO SIGNIFICANT
DIFFERENCES ON OIL POLICY BETWEEN SCHMIDT AND ECONOMICS
MINISTER FRIDERICH. BOTH WANTED TO USE THE FREE
MARKET MECHANISM TO COPE WITH THE PROBLEM AND AVOID
DIRIGISTIC MEASURES--WHICH HOWEVER WERE POPULAR WITH
PART OF THE SPD BUNDESTAG FACTION.

4. POEHL MENTIONED HIS SPEECH AT DUESSELDORF YESTERDAY
AND SAID THAT HE HAD FELT FREE TO GO AS FAR AS HE
HAD IN VIEW OF THE VERY COMPLETE REPORTING ON THE
OUTCOME OF THE TOURS MEETING IN THE US PRESS AND
PARTICULARLY IN ROWAN'S ARTICLE IN THE WASHINGTON
POST OF NOVEMBER 27 OR 28.

5. POEHL SAID THAT THE GOVERNMENT IS PRESENTLY
CONSIDERING WITH THE BUNDESBANK A LIBERALIZATION
OF THE BAR DEPOT TO EXEMPT TRANSACTIONS DEALING
WITH IMPORTS. POSSIBLY THE WHOLE BAR DEPOT MIGHT
BE LIFTED SOMETIME IN 1974.
HILLENBRAND

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